Transforming the Department of Defense

February, 2003

09/03/16 12:27 PM

U.S. Defense Priorities
Defending America Today and Tomorrow

- Deter potential adversaries and defend America and American interests
- Counter asymmetric threats – including terrorism, cyber attacks and ballistic and cruise missiles
- Fight and win the global war on terror
- Assure readiness of the Armed Forces
- Mitigate surprise
- Ensure U.S. leadership role in the world and strengthen U.S. alliances during this period of change
- Transform the Department of Defense
  - Reshaping military capability for the 21st Century
  - Changing culture, business practices, processes and organizations for sustained advantage

Transformation of the Department of Defense

- Shape the changing nature of military competition and cooperation
- Through new combinations of concepts, capabilities, people, processes and organizations
- That exploit our nation's advantages and protect against our asymmetric vulnerabilities
- To sustain our strategic position, contributing to peace and stability in the world.

Transformation Principles Include

- Culture
  - Balanced risk taking
  - Innovation encouraged and rewarded
  - Superior decision and execution speed
  - Forward leaning and forward looking
  - Joint sharing of information, content and awareness
  - Technology adept “digital generation”
- Business Practice, Process and Organization
  - Streamlined
  - Greater flexibility
  - Distributed
  - Timely, decision-quality information
  - Emphasis on delegation
  - Integrating processes
  - Reduced cycle times
- Operations
  - Adaptive
  - Simultaneous
  - Joint and combined
  - Non-synchronous
  - Tailored to specific need and scalable
  - Use all elements of national power
  - Information driven
- Systems and Capabilities
  - Integrated forces
  - Networked systems
  - Combined with Allies
  - Joint and interoperable
  - Faster to the point of need
    - Precision effects
  - Mix and match capabilities as needed

Improvement needed in all areas to strengthen joint and integrated performance

Defense Operational Goals
Shaping and Directing Transformation

- Protecting the homeland and other critical bases of operations
- Denying enemies sanctuary; providing persistent surveillance, tracking, and rapid engagement with high-volume precision strike
- Projecting and sustaining force in distant “denied areas”
- Leveraging information technology and innovative concepts
- Assuring information systems and conducting effective information operations
- Enhancing the capability of space systems

Goals must be integrated into military concepts of operations

The Overall Framework for Change

Historical World View		Future Objectives
Central Planning	To	Adaptive and Dynamic Planning
Fixed, Predictable Threat	To	Capabilities Against Shifting Threats
Mature Business and Organization	To	Mix of New and Mature Organizations
Inputs Based Management – Focus on Programs	To	Output Based Management – Focus on Results
Appropriated Funds – "Cost is Free"	To	More Market-like and price based
Segmented Information – Closed Architecture	To	Networked Information – Open Architectures
Stovepiped and Competitive Organizations – "Zero sum Enterprise"	To	Aligned Organizations with common and shared objectives

Balancing Risks

Force Management Risk

- **Definition:** Challenge of sustaining personnel, infrastructure and equipment
- **Risk Mitigation Examples**
  - Manage careers and rotations
  - Modernize infrastructure and facilities
  - Training, spares and overall readiness

Operational Risk

- **Definition:** Challenge of deterring or defeating near-term threats
- **Risk Mitigation Examples**
  - Plan and prosecute war on terror
  - Elevate role of homeland defense
  - Develop forward deterrence posture
  - Enhance coalition capabilities with Allies

Future Challenges Risk

- **Definition:** Challenge of dissuading, deterring, defeating longer-term threats
- **Risk Mitigation Examples**
  - Experiment with new concepts, capabilities and organizational designs
  - Investing in transformational capabilities for portions of the force
  - Foster a spirit of innovation and risk taking

Institutional Risk

- **Definition:** Challenge of improving efficiency represented by unresponsive processes, long decision cycles, segmented information, etc.
- **Risk Mitigation Examples**
  - Modernize financial management systems and approaches
  - Acquisition excellence initiatives
  - Improve planning and resource allocation

Challenge is to Balance Trade-Offs Among Risks Ov

We've done a lot in 2 years…

- War on Terrorism
  - Innovation
  - Transformational Mindset
- Improved Readiness
  - Global Posture Adjusted
  - Rapid Operational Response
- Quadrennial Defense Review
  - New Force Sizing Construct
  - New Risk Balancing Focus
- Nuclear Posture Review
  - New Triad
  - Offensive Reductions
- Missile Defense
  - Refocused R&D
  - Moved beyond ABM Treaty
  - Fielded operational testing
- Space Commission
  - Recommendations implemented
- Realistic Budgeting
  - At cost estimates
- Tough Program Decisions
  - Crusader to FCS/Precision
  - Stryker
  - DD-21 to DD-X
  - B-1 Modernization
  - Navy "Area Wide" restructuring
- Smarter management
  - Restructuring spaced-based radars
  - SSBN to SSGN
  - "Ship Swaps"
  - C4ISR Funding
  - Funding increased and focused

Changing the Way We Think about Defense

- **New Unified Command Plan**
  - Northern Command
  - Joint Forces Command – new roles
  - SPACE-STRAT integration
  - NATO command structure
- **New Strategic Direction**
  - DoD role in new security strategy
  - Defense Planning Guidance
  - Contingency Planning Approach
  - Joint Concepts of Operation
- **New Strategic Relationships**
  - Russia, Poland, NATO
  - South Asia, Central Asia, Caucuses
  - Missions determining coalitions
  - Security Cooperation Planning
- **Fighting to attract and retain talent**
  - Targeted pay raises
  - Housing program / privatization
- **Stewardship of taxpayer dollars**
  - Improved readiness standards
  - Navy/Marine tactical air
  - Headquarters reduced 11.1%
  - BRAC preparation
  - Adjust footprint for future
- **Improving DoD Processes**
  - Program and Budget Process consolidation
  - 2-Year cycle inside DoD (no FY'05 build)
  - Spiral Development and Dramatic streamlining of Acquisition Regulations
  - Operational Availability Work
  - Joint Concepts of Operation Work
  - Output Metrics
  - Sensitive Reconnaissance Ops Approvals
- **Fiscal management initiatives**
- **Training like we fight – jointly**
- **Standing up USD(I) and ASD (HD)**

Obstacles to DoD Transformation

- Antiquated personnel structure
  - Laws limit agility, speed and effectiveness of change
  - 320,000 military personnel assigned to non-military jobs
- Lack of flexibility in managing money
  - Stifling budget detail – Congress 2,800 separate items in 80 different appropriations
    - 26,000 pages of justification and 800 required reports yearly
  - Rules too rigid and unresponsive for changing security environment
    - Spend $42 million/ hour on average, but can't move more than $15 million
  - "Use it or lose it" is a perverse incentive
    - Funds in two largest accounts must be obligated during fiscal year
- Support structure outdated, slow, inflexible
  - Too many staffing layers; poor integration between staffs
  - Too many non-military functions
  - $27.4B in annual spending (and rising) on health care; 130,000 plus health care employees above the unit level
- Broken acquisition, requirements and resource processes

Using Our People More Effectively…

- For civilians, create a National Security Personnel System
  - Managed by DoD
  - Competitive pay
  - More flexibility in hiring
  - Broad-band pay and position definition
  - Union bargaining at national level
- For military personnel, National Security Continuum of Service
  - More integrated career management among active, reserve and guard
  - Ability to adjust end strength within manpower budget
  - Update Goldwater-Nichols
  - Modernize Joint Officer Education and career management

- Restructuring the Department
  - Rationalize Senate-confirmed positions
  - Move functions to other departments – e.g., Prisons, Background Investigations…
  - Assign leadership roles on priorities
  - Adopt the DHS model for one-time organizational redesign
- Modernize Health Care System
  - Enhance productivity of internal force by 20+%
  - Properly size direct care system to support military readiness
  - Eliminate echelons of care from Cold War structure and focus on new threats
  - Harmonize three services' systems

Fixing the Processes and Infrastructure…

- Move Pentagon to a 2-year program
- Institute Output Metrics
  - Balanced risk and defense strategy
  - Tied to President's Management Agenda
- Drive Financial Management Modernization
  - Provide common process and data structures.
- Create an "excellence structure" for acquisition programs
  - Streamline internal rule structure to focus on desired outcomes
- Streamline budget process
  - Fully implement biennial budgeting, including appropriations
  - Reduce separate appropriations
  - Extend life of appropriations
- Reprogramming that allow us to respond to emergencies
  - Increase legal limits on transfers between budgets
- President's Management Agenda for competitive sourcing
  - Need tools to shorten the competition process (presently 2 to 4 years)
- Preserve training ranges
- Increase flexibility in managing depots

Next Phase of Effort

- Things that require help
  - Establish DoD civilian personnel system
  - Modernize Approaches to Military Career
  - One-time reorganization with “fast track” approval
  - Move non-military functions
  - More flexible money flow rules, with a 2-year budget cycle
  - Expand authority for competitive sourcing
  - Preserve Training Ranges
- Things we must do ourselves
  - Reduce staffing layers
  - Merge and restructure health care systems and contracts
  - Improve resource process
  - Drive Joint Operational Concepts
  - Modernize joint officer education
  - Measure and track performance
  - Modernize financial management
  - Acquisition structure